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SIPDIS

EEB/IFD/OIA FOR MCULLINANE; OPIC FOR DMONTGOMERY

E.O. 12958: N/A
TAGS: [EINV](#) [ENRG](#) [ECON](#) [CO](#)
SUBJECT: COLOMBIA: COMMENTS ON APPLICATION FOR OPIC FINANCE
ISAGEN

REF: STATE 116186

¶1. Generacion y Comercializacion de Energia S.A. (ISAGEN) is a well known Colombia-based company dedicated to electric energy generation and sales. ISAGEN owns and operates five power plants in Colombia: San Carlos (hydroelectric); Jaguas (hydroelectric); Calderas (hydroelectric); Miel 1 (hydroelectric); and Thermocentro (thermal). The company has an installed capacity of 2,132 megawatts divided between hydroelectric generation (1,832 MW) and thermal generation (300 MW) representing 16 percent of total national electrical generation capacity. ISAGEN is commonly regarded as one of the most efficient public companies in Colombia with an average net profit of approximately USD 90 million per year.

¶2. ISAGEN primary stock owners are the Colombian government (57.66 percent); Proteccion Pension Fund (15.38 percent); Empresas Publicas de Medellin (12.95 percent); and Empresa de Energia del Pacifico (4.85 percent). Post is not aware of any information on ISAGEN or its investors related to potential ties to terrorism, money laundering, corruption, or violations of law.

¶3. The Colombian government has publicly declared in various channels its intention to sell its share in ISAGEN, valued at USD 1.5 billion, with the privatization process originally planned for 2007 but yet to materialize. Given rising GOC fiscal pressures for the proceeds of the sale, local analysts suggest the process will move faster in 2009. Under Law 226, ISAGEN workers receive priority for making offers on the GOC stake, followed by local pension funds/cooperatives and private institutions. Once the Finance Ministry has finished setting terms for a bid process, the GOC expects considerable interest from prospective bidders. In light of ISAGEN's firm financial footing at present, rising electrical demand, and the positive outlook for privatization, post is not aware of any significant additional risks related to OPIC converting its current Non-Honoring of a Sovereign Guarantee (NHSG) insurance contract to an Investment Guarantee.
BROWNFIELD